



August 17, 2006

Ambassador John J. Danilovich  
Millennium Challenge Corporation  
875 Fifteenth Street N.W.  
Washington, DC 20005

Dear Ambassador Danilovich:

During the past two and half years, our organizations have worked closely with the Millennium Challenge Corporation (MCC) as you sought to establish a natural resource management indicator. We are pleased that you anticipate having one in place to affect the next round of country selection in November. We have reviewed the two proposed MCC natural resource management indicators, and we thank you for the opportunity to provide the following comments and concerns for the public record. We hope that the Millennium Challenge Corporation, expressly the Board of Directors, will take into account the following recommendations when considering the two proposed natural resource management indicators – the Natural Resource Management Index and the Access to Land Indicator – for final selection.

After careful review, we support the Natural Resource Management Index (NRMI) over the Access to Land Indicator as the natural resource management indicator requested by Congress for the upcoming round of country selection. The MCC's authorizing legislation calls for countries to demonstrate a commitment "to economic policies that promote...the sustainable management of natural resources." The NRMI is designed to meet that criterion – its components all directly affect economic development and individual livelihoods and reflect a government's commitment to responsibly managing its resources. Provision of sanitation, access to clean water (with the understanding that providing such access is not solely about end of pipe delivery, but the protection, restoration and maintenance of fresh water ecosystems), low or declining child mortality due to environmental factors, and effectively protected biodiversity resources are the concrete results of good environmental policies.

The NRMI indicator allows for cross-country comparisons by taking into account that different countries contain different ecoregions. This indicator also reflects the MCC's commitment to poverty alleviation and economic growth by recognizing the importance of a healthy environment to meaningful and sustainable development. We think this is a very good starting point that should be significantly enhanced by the inclusion of additional elements, such as promotion of clean and sustainable energy, a more explicit

recognition of the importance of watershed protection, and measures for environmental governance and management within the index. This type of appraisal is at the heart of the MCC's stated funding criteria, and would more concretely demonstrate a country's commitment to sustainable natural resource management over time. What we propose derives from MCC's explicit concerns about the degree and quality of effective and just governance that enables sustained economic growth.

Though the Access to Land Indicator (ALI) embodies important economic growth and poverty reduction elements, it measures policies that only indirectly impact natural resources and offers few incentives for good stewardship of these resources. Therefore, we do not find the ALI suitable as a natural resource management indicator and it is not endorsed as such by our organizations. By the same rationale, we also advocate against combining the ALI and NRMI into one natural resource management indicator. We do, however, recognize the important development and property rights issues addressed in the ALI, which could, after consultation with appropriate civil society groups, make it a good addition to the MCC indicators under auspices other than that of a natural resource management indicator. It might help indicate a country's overall governance status and establish a basis for the creation of enabling conditions for secure investment.

We certainly appreciate the dedication, deliberation and time that have gone into this process and we are pleased that the natural resource management indicator is expected to be in place for the next round of country selection. To that end, we are comfortable with adoption and implementation of the NRMI for the next round, but we strongly recommend certain additions that would make the index more robust and comprehensive for future rounds. Our present concerns and suggestions for next year's selection process and future iterations of the indicator include:

- Governance and Effective Management: We encourage development of measures concerning a country's commitment to environmental governance and management effectiveness. Measuring environmental governance and management as part of the NRMI – in addition to the governance and corruption indicators under Ruling Justly -- will reflect a country's official level of commitment to policies leading to effective protection of key ecosystems and habitat and sustainable resource use, as well as its ability to implement and enforce laws and regulations to protect the health and wealth of its natural resource base;
- Marine Areas: There is no inclusion of important Marine areas in the biomes measured for countries which have rights over coastal or ocean zones; these are critical ecoregions both in terms of biological importance as well as human needs (food source, economic livelihoods, tourism, petroleum or mineral resource extraction, etc.). The absence of such a measure may inaccurately reflect a country's policies for sound natural resource management – either positively or negatively;
- Level of Protection: The NRMI uses a 10% standard as a “passing grade” for biome protection. In general, setting standard percentages for protected areas is difficult due to the uneven distribution of biodiversity. We hope that this 10% figure will be considered a starting point, which can be augmented by

evaluating whether or not a country has effective policies and management in place for biodiversity protection (please see illustrative list in the Annex).

- Water: We hope that MCC will revisit the water indicator with the goal of finding an indicator component that explicitly reflects the protection, restoration and maintenance of fresh water ecosystems. We also recommend consideration of a measure of the sustainability of fresh water access such as the Progress on Integrated Water Resources Management indicator developed by the Global Water Partnership.

We encourage the MCC to review and update the parameters of the NRMI annually, especially to include aspects of environmental governance and effectiveness and higher percentage standards for biome protection as improvements occur in the availability of baseline data, scientific knowledge and political will. All the organizations represented in this letter welcome continued collaboration with the MCC and the Yale/Columbia teams, and we offer our help and input on any aspects related to the NRMI and possible future adaptations to it.

In addition, we understand that a country should not lose its eligibility for a Compact because it does not meet an indicator that did not exist at the time it was determined eligible. However, we strongly recommend that every country's progress on the NRMI, including those with approved compacts and those negotiating compacts, should be monitored and there should be consequences for a country that does not take significant steps to meet the NRMI while negotiating or implementing a Compact. We support making funding available to countries to meet this obligation, perhaps through the Threshold Program or some other mechanism.

Lastly, we would like to address the issue of placement of the NRMI within the three categories for MCA eligibility: Ruling Justly, Economic Freedom and Investing in People. While environmental issues cross all three categories, we recommend that the natural resource management indicator should be part of either Investing in People or Economic Freedom. Effective, sustainable natural resource management is essential for meaningful development in both of these categories. Many economies rely heavily on natural resources such as fish, timber, wildlife and fresh water for subsistence as well as income, making protection and sustainable management of these resources critical for any true economic freedom or poverty alleviation. At the same time, services such as the clean water, clean air and healthy forests and fertile land provided by functioning ecosystems are necessary for people to live safe and productive lives, so investments in protecting these resources are also investments in people. As the protection of natural resources is clearly important and multi-dimensional and MCC's current structure does not have a category for such cross-cutting issues, we would be satisfied with placement of the NRMI in either Economic Freedom or Investing in People.

We thank you again for the opportunity to present our feedback and we look forward to continuing our work with the MCC as you seek to address the importance of sound natural resource management and conservation in your mission to assist developing countries achieve sustainable economic growth and poverty reduction, efforts which can only succeed by protecting natural resources. Please contact us anytime should you require further clarification of our comments.

Sincerely,

Conservation International  
National Audubon Society  
National Wildlife Federation  
The Nature Conservancy  
World Wildlife Fund